

Process	Financial Reporting
Title	Child and Family Services Financial Management
Observation	<p>During fiscal year 2001, the operations of the Child and Family Services Administration (CFSA) were transferred from a Federal receivership back to the District of Columbia Government. The reintegration of CFSA into the District's financial reporting system has been a difficult process. As a result of our testing we observed the following:</p> <ul style="list-style-type: none"> • The search for unrecorded liabilities resulted in an adjustment of approximately \$13.6 million over two months after the closing package was initially submitted. • The Agency improperly charged the Title IV E program approximately \$10 million, of which almost \$8.6 million related to Medicaid. This reclassification was posted subsequent to year-end. • The grant disallowance package excluded the disallowances from the Agency's single audit reports for prior years along with estimated disallowances which may have resulted from program deficiencies. • The personnel failed to demonstrate a through knowledge of SOAR and appropriate recording of transactions in the general ledger <p>OCFO personnel have been working closely with new CFSA management to identify and address areas of financial risk.</p>
Recommendation	<p>The information used for financial reporting at CFSA is maintained on a separate computer system, and then the data is imported to SOAR. We recommend that the CFSA's financial operations be closely evaluated including the technical skills of key financial personnel. An oversight team should be formed with a focus on training the personnel on the various aspects of the District's financial reporting system including ADPICS and SOAR.</p>
Management's Response	<p>CFSA management agrees that there is a need for more staff with knowledge of SOAR in the Financial reporting area. To that end, we released several employees who were not able to perform their jobs as required. In the short run, this has created a severe manpower shortage in the financial reporting area. We are in the process of implementing short and long term corrective actions to address this concern, which include the following steps:</p> <ol style="list-style-type: none"> 1. We are planning on contracting accounts personnel to provide overall guidance and assistance while we recruit qualified candidates for our vacancies. These individuals will assist in day to day reconciliation, posting and writing updates procedures.

	<ol style="list-style-type: none">2. We will identify the type of positions that are necessary to provide timely and accurate reporting of our financial transactions.3. We are reviewing our financial systems to streamline daily processing and provide timely and accurate recording into SOAR.
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Process	Cash Management
Title	Improve Usage of Imprest Cash Accounts
Observation	<p>The District maintains over 100 imprest cash accounts. These accounts are generally low balance accounts, between \$500 and \$5,000, and are reconciled on a monthly basis. However, we observed that the number of such accounts maintained by the District is higher than most comparably sized governments.</p> <p>Our review of imprest fund activity disclosed that the District gave \$98,304 in cash advances to 130 employees during FY 1997 through FY 2000 that remained uncollected as of September 30, 2001. Cash advances should be properly collected and accounted for in a timely manner. The reason for the untimely collection of cash advances to employees is due to lack of proper monitoring and lack of internal controls in the employee cash advances process.</p>
Recommendation	<p>We recommend that the District evaluate the need to maintain each of its imprest accounts and consider closing or consolidating many of them. Further, the District should implement a policy of monitoring cash advances, including follow up and review of previous cash advance balances for collection or write off. We also recommend that the District implement a policy of collecting cash advances, to the extent practical, in the next payroll cycle.</p>
Management's Response	<p>OCFO/OFOS management concurs with the recommendation to evaluate the need to maintain the number of imprest cash accounts currently authorized. Additionally, along with the Office of the Chief Financial Officer's, Office of Internal Audit and Internal Security (LAIS), will review those accounts for which cash advances remain outstanding and has incorporate this into its annual audit plan.</p>

Process	Human Resources Management
Title	Evaluate Effectiveness of Agency Payroll Timekeepers
Observation	<p>Each employee of the District is required to submit a timesheet supporting time worked each pay period. These timesheets are accumulated by agency "timekeepers" each time period for processing. In addition to reviewing these timesheets for reasonableness, the timekeeper is also authorized to sign the timesheet submitted by the employee when the employee inadvertently forgets to sign the timesheet.</p> <p>We also observed that the Office of Pay and Retirement (OPR) is the primary source of contact for all payroll related questions. However, agency timekeepers report to their respective agency Chief Financial Officer, rather than OPR.</p>
Recommendation	<p>Under the current process, OPR is held accountable for payroll processing performance; however, it has no ability to control or influence that process because the agency timekeepers, who perform the vast majority of the process, do not report directly to OPR. To rectify this situation, we recommend that OPR be given the accountability and responsibility over the entire payroll process.</p> <p>We further recommend that OCFO evaluate the routine process of permitting agency timekeepers to sign off on employee timesheets. All District employees must be held responsible for the complete and accurate accounting of all the time they worked during a reporting period. Failing to hold employees responsible for signing their own timesheets weakens the overall internal control structure over payroll processing and should be discontinued. Reasonable exceptions to the policy, covering extended leaves of absence, for instance, could be established, but the general policy should be that any unsigned timesheet will be processed and returned for signature, but the next pay period timesheet will not be processed until the unsigned timesheet is returned signed.</p>
Management's Response	Management concurs with this finding and is continuing to evaluate the overall effectiveness of payroll timekeepers in conjunction with its other human resources initiatives.

Process	Financial Reporting
Title	Improve Financial Controls over the Department Of Housing and Community Development's Loan Programs
Observation	<p>The Department of Housing and Community Development (DHCD) administers one of the District's largest community service programs, the Community Development Block Grant program. This program is responsible for providing over \$40 million annually to community organizations to improve the housing stock available to District residents and to provide monies to local business to improve the local business economy.</p> <p>Our review of the Department of Housing and Community Development's (DHCD) loan programs disclosed the following conditions:</p> <ul style="list-style-type: none"> ■ DHCD does not have policies and procedures for establishing an allowance for doubtful accounts and for the write-off of loans receivable deemed uncollectible. ■ DHCD does not have an effective vehicle for monitoring the effectiveness of the internal controls over the Independence Federal Savings Bank's banking operations or of the Greater Washington Urban League operations which are used to assist DHCD in administering its various loan programs.
Recommendation	DHCD should update its accounting policies and procedures manual to specifically address the accounting and financial reporting requirements of its various loan programs. This will ensure that all loan program information is appropriately recorded in SOAR. Finally, DHCD should ensure that it obtains a SAS 70 report from its service providers on which it depends to provide critical internal control functions.
Management's Response	<p>DHCD partially concurs with the recommendations.</p> <p>DHCD monitors the activities of the Greater Washington Urban League twice per year. This monitoring includes a thorough review of program and fiscal activities centered upon:</p> <ul style="list-style-type: none"> ■ Review of loan transmittal packages ■ Review of detail loan activity. ■ Review of Greater Washington Urban League payment requests. ■ Review of Greater Washington Urban League bank reconciliation's of the custodial loan processing account. ■ Resolution of disputes within program operations.

	<p>DHCD concurs in part with the recommendation concerning receipt of a SAS 70 report from Independence Federal Savings Bank. At this time, DHCD is in the process of reviewing responses to a RFP for loan servicing services for FY 2002/2003. Included within the final contract will be language specifying the provision of a SAS 70 report from the service provider.</p> <p>In addition, the department will update its policies and procedures for establishing and adjusting an allowance for doubtful accounts as well as the write-off of loans receivable deemed uncollectible.</p>
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Process	Grants Management
Title	Revise Budget Process for Federal Matching Requirements
Observation	<p>During the fiscal year, agencies often receive new federal or private grants that require them to submit a request to the Office of Research and Analysis (ORA) to increase their non-local funds budget. However, many of these grants require the District to contribute (i.e., match) local funds before it can receive reimbursement from the granting agency. We observed that the District does not require agencies to include in their budget revision requests how the agency plans to meet the matching requirements. For those grants that require a local match, the District is required to earmark those funds for that purpose in their local funds budget. The District does not require agencies to include a local budget revision when they submit their request for increased federal funds. Not requiring agencies to budget separately for local funds to meet their matching requirements can result in the agency being in noncompliance with the grant agreement. Additionally, agencies can not draw down the funds until they meet their matching requirement, and this could result in an unnecessary cash burden being placed on the District.</p>
Recommendation	<p>We recommend the District require agencies to include in the request to increase their federal or private budgets, their plans for meeting any matching requirements. Additionally, KPMG recommends the District use SOAR to earmark any local funds to be used to meet the matching requirements.</p>
Management's Response	<p>We concur with the observation. Under current practice, District agencies are required to identify the need for a local match with the request for a change in federal, private and other fund budget authority. Agencies complete a Grant Award Profile (GAP) form that provides general information on the grantee and the federal grantor. This form requests agencies to identify if a local match is required.</p> <p>Working jointly with the Office of Budget and Planning, we will use that form to strengthen our process and require agencies to earmark matching local funds as a part of the budget modification request. The request will not be processed until the matching funds have been identified and set aside in the agency's budget.</p>

Process	Grants Management
Title	Improve Maintenance of Grant Eligibility Files
Observation	<p>The District is required to maintain certain information to justify the eligibility of certain participants and vendors in federal awards programs. This information is critical to allowing the District to obtain reimbursement and to demonstrate compliance to federal auditors and to independent auditors performing Single Audits. In performing compliance testing on certain federal awards programs, we observed the following:</p> <ul style="list-style-type: none"> ■ The Medical Assistance Administration (MAA) Policy Manual states that providers are required to complete an application, sign a provider agreement, and obtain a valid license to be considered for eligibility. Of 40 medicaid provider files selected for review, MAA was unable to produce six files which supported the eligibility of the provider. Therefore, we were unable to substantiate the District's determination of eligibility. ■ According to the Income Maintenance Administration Policy Manual, case records must contain the most recent application and recertification forms for each program and documents in support of the eligibility determination. Of the 116 medicaid case files selected for review, four of the files reviewed were missing data, which supported residency requirements, income requirements and asset requirements. We noted that the ACEDS system showed evidence of the residency; however, the case files did not include evidence to support this data. ■ According to the Income Maintenance Administration Policy Manual, case records must contain the most recent application and recertification forms for each program and documents in support of the eligibility determination. Of the 93 food stamps case files selected for review, the files for 2 participants did not contain evidence of recertification documents. Therefore, we were unable to substantiate the District's determination of eligibility.
Recommendation	District management should ensure that all eligibility files are kept in a secured location, and a filing system is implemented to safeguard these files. The District should spot check the filing records periodically to ensure that all required information is being maintained.
Management's Response	MAA concurs with the recommendation regarding provider file maintenance and is pursuing an arrangement to have its

	<p>provider files archived. In addition, the new Medicaid Management Information System (MMIS) contractor, who comes on board June 2002, will be responsible for the re-enrollment of all providers and the archival of all provider applications and files through imaging, thereby providing a paperless environment.</p> <p>District management concurs with the recommendation regarding file security. The Income Maintenance Administration will continue to improve the review of its case records to ensure that the records contain all documentation to support eligibility and that all files/records are secured and safeguarded.</p>
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Process	Grants Management
Title	Improve Grants Management Oversight
Observation	<p>There appears to be limited District-wide program and financial oversight over the grants management program. Some agencies are consistently late in reporting expenditures in SOAR as evidenced by the lack of timeliness of submitting reimbursable revenue closing packages to OFOS during the fiscal year 2001 closing process. These year-end adjustments could be identified earlier through a timely review of budget versus actual expenditures. However, the Office of Research and Analysis, which is charged with performing such follow up for non-entitlement grants, experienced turnover during fiscal year 2001, and therefore fell behind in its monitoring. Other agencies, responsible for specific entitlement programs, have not traditionally monitored this aspect of their programs except at year-end. As a result, the District has been hampered in its ability to obtain federal reimbursement for eligible expenditures timely. Further, the District's ability to accurately track amounts available under federal awards is impaired.</p>
Recommendation	<p>The District should institute adequate controls to ensure that grant expenditures are recorded in SOAR in a timely manner and that a quality control team is in place to verify that grant expenditures are recorded properly. Also, the "Risk Assessment Report", which is currently used to monitor grant expenditures versus budget but is not prepared consistently, should be prepared on a quarterly basis and reviewed for completeness. This will help ensure that federal funds are drawn down timely, and available funding can be more closely monitored.</p>
Management's Response	<p>The Office of Finance and Treasury (OFT) has responsibility for monitoring of federal grant drawdown. Expenditures are recorded in SOAR timely but transfer between grants, or grants and other sources, are sometimes made through journal entry and delays occur.</p> <p>The main issue that delays revenue collections is untimely transfer through intra-district agreements. OFT is aware of the intra-district billing delays that exist and will make the recommendation that the Office of Budget and Planning (OBP) amend the current intra-district policy to require that expenditures be transferred from the buyer (grantee) agency to the seller (grantor) agency at least monthly. Once the policy is amended it will have to be monitored and enforced. We</p>

	<p>believe that this will improve the timely posting of grant expenditures as it relates to intra-district billing, and hence federal grant reimbursements.</p> <p>Further, the OCFO's Office of Internal Audit and Internal Security (IAIS) has instituted a monitoring and tracking process to ensure that any grants questioned amounts and compliance issues are properly and timely addressed by affected agencies.</p>
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Process	Fixed Asset Management
Title	Improve Fixed Asset Records
Observation	<p>The District engaged a third party to perform a fixed asset inventory of its personal property during fiscal year 2001. The results of the inventory were expected to be used to populate the District's new fixed asset accounting system which became effective October 1, 2001, and to support the annual closing process for Fixed Asset personal property. We observed that many of the Agencies which participated in the personal property fixed assets inventory in 2001, did not update their detailed fixed assets records largely because they were unable to reconcile from their existing inventory records to amounts reflected on the new physical inventory listing.</p> <p>Variances which could not be reconciled, dealt with the cost or valuation determination of the assets and number of units counted, along with the materiality threshold used. The bases for the variances identified were not adequately discussed with the contractor upon the completion of the inventory and prior to the preparation of the closing packages.</p>
Recommendation	<p>We recommend that the District perform a review of the results of each Agency's inventory count, ensure that the amounts and the bases for valuation are adequately supported and documented. Adjustments that result from this review should be entered into the new fixed asset system to correct the information initially used to populate the system. The Agency CFOs should certify all required adjustments. It is imperative that these procedures are enforced for the successful implementation of the Fixed Asset Module in SOAR.</p>
Management's Response	<p>The OCFO concurs with the recommendation to evaluate and adequately ensure that the entries entered into the SOAR Fixed Asset System (FAS) is supported and documented. We are currently engaged in an ongoing process, agency by agency, verifying fixed asset documentation and making the necessary adjustments in FAS as appropriate. Additionally, agency CFOs are certifying the required adjustments. Currently, and on an ongoing basis, the proper policies and procedures are in place for the fixed asset module and are being adhered to.</p>

Process	Procurement and Disbursements
Title	Improve Compliance with the Quick Payment Act
Observation	<p>The Quick Payment Act requires District agencies to pay vendor invoices within 30 days of receipt of the invoice. The Quick Payment Act also requires the Mayor's office to report to Council within 120 days of fiscal year-end the District's compliance with the Quick Payment Act. The fiscal year 2001 report was not submitted within the deadline established by the Quick Payment Act. During testwork, we also noted the following immaterial instances of non-compliance with the Quick Payment Act:</p> <ul style="list-style-type: none"> ■ Out of 399 vouchers tested, 34 vouchers were not paid within the timeframe required by the Quick Payment Act. In all 34 instances, the District also failed to pay any interest or penalties to the vendor for late payment. ■ All agencies are required by the Quick Payment Act to submit reports to the Mayor within 60 days of fiscal year-end indicating the number of violations of the Quick Payment Act, and the amount of interest or penalties paid to vendors during the year. KPMG noted that no such reports were submitted by the required agencies as of late January 2002, which is beyond the deadline in the Quick Payment Act.
Recommendation	<p>We recommend that the District implement the following procedures to ensure compliance with the Quick Payment Act of 1984:</p> <ul style="list-style-type: none"> ■ Require agency management to monitor its compliance with the Quick Payment Act through more frequent reporting, at least quarterly; ■ Require OFOS or the Internal Audit/Internal Security division to monitor agency compliance with the Quick Payment Act through periodic review of vendor payments at agencies with a history of Quick Payment Act violations..
Management's Response	<p>The OCFO concurs with the recommendation to monitor compliance through more frequent reporting. Additionally, the OCFO Internal Audit and Internal Security (LAIS) division will monitor agency compliance with the Quick Payment Act through periodic reviews that will be incorporated into the annual audit plan.</p>

Process	Procurement and Disbursements
Title	Improve Contracting File Maintenance
Observation	<p>Chapter 12, Section 1203.2 of the District's procurement regulations require that the documentation in each contract file maintained by the contract office shall be sufficient to constitute a complete history of the transactions for the following purposes:</p> <ul style="list-style-type: none"> ■ Providing a complete background as a basis for informed decisions at each step of the Procurement process and the supporting action taken; ■ Providing information for reviews and investigation; and ■ Furnishing essential facts in the event of litigation. <p>We tested 140 contract awards and found deficiencies in 17 files relating to file maintenance and content. We observed that 12 files lacked sufficient documentation and that 5 files were unavailable for our review. We noted that one agency did not have a filing system in place and all files were stored on the floor in the file room.</p>
Recommendation	<p>We recommend that the District implement procedures to ensure proper enforcement of directives issued by the Office of Contracts and Procurement. In addition a checklist should be developed and completed by each Contract Officer as part of the contract finalization process. This checklist should address the sufficiency of the documentation prior to the issuance of the contract awards. Finally, contract files should be kept separate and a locator system should be established to ensure the ability to locate any contract file promptly.</p>
Management's Response	<p>Management concurs with the findings and will reiterate existing policies and procedures regarding file maintenance and file security to appropriate contracting personnel.</p>

Process	Information Technology Management
Title	Improve Project Planning and Project Management Policies
Observation	<p>The Enterprise Office was established in April 2000 to gain control over many of the significant District-wide information technology projects. The Enterprise Office took over responsibility for managing and controlling the development and implementation of SOAR as well as other key technology projects like the district-wide payroll system (CAPPS/UUPS) reconciliation and implementation. Despite the multitude of accomplishments by the Enterprise Office, many prior year findings identified by auditors and other consultants still remain. The primary explanation provided by the Enterprise Office include changing budgetary priorities (for the Fixed Assets and Inventory system) and changing user/system requirements (for the Performance Budgeting and Performance Executive systems).</p> <p>District-wide standards addressing project justification, budgeting, requirements definition, tracking, reporting and other planning and management standards have not been developed and consistently enforced by the District. Without the development and consistent enforcement of District-wide project planning and management standards for key IS projects, the District government is exposed to a significant level of risk of failure for mission critical IS initiatives.</p>
Recommendation	<p>District-wide project management standards should be developed, documented, and distributed for implementation on all mission critical, high risk, and large budget IS projects. Included in these standards should be a clear definition of each of the above criteria, e.g., large budget projects are those with an estimated budget of \$1 million or more. The standards should address all aspects of IS project management to include (but not limited to) the following:</p> <ul style="list-style-type: none"> ■ Project objective and scope ■ Cost benefit analysis and justification ■ Procurement practices and vendor management ■ Task and deliverable definition ■ Project organization and skill sets ■ Reporting and communications <p>Compliance with these standards should be independently verified by a third party, such as the OIG, during key project milestones, e.g., at project start, after 25% and 75% of budget expenditure, and upon completion.</p>

Management's Response	<p>OCTO concurs with the recommendations and in fact has made great strides in this area. Responsibility for a district-wide program management process falls under the purview of the Office of the Chief Technology Officer (OCTO). OCTO has assigned a Director of Technology Program Management to establish standards and policies to improve performance on programs to develop or procure information system (IS) technology. Standards for project planning, execution, and completion will be developed, documented, delivered and enforced for all mission critical, high risk, or large budget IS initiatives.</p> <p>OCTO has established a Program Management Office to oversee and track program development and execution. Appropriate mechanisms for project initiation (Project Initiation form-PIF) and detailed program reviews of District-wide information services (PRIS) have been put in place and are being enforced. A formal monthly program review process is being implemented now for OCTO capital projects. Additionally, OCTO has established a management information/program tracking system (POETS) for all OCTO capital programs. This management system will be expanded as additional programs come on line through 2004 to encompass a District-wide purview. Finally, OCTO has established a single contract center to streamline and reduce the risks associated with contracting and procurement actions for District programs.</p> <p>The OCTO program management planning and execution standards will be coordinated and published in FY 2002. Nevertheless, OCTO has implemented major piece parts of the program and is ready providing essential program oversight as of this writing.</p>
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Process	Budget Process
Title	Use of “Cost Plus” Budgeting
Observation	<p>The District generally uses a “prior cost-plus percentage” basis for estimating expenditures when establishing budgets for agencies. Agencies are only required to justify their programs if their request exceeds the percentage increase established in the budget process. Establishing a budget using the current year’s budget plus an estimated percentage increase does not require an agency to present or justify a program on an annual basis. This can lead to funding programs that are not necessary or are currently not meeting the public’s needs. A “zero-based” budgeting approach would require each agency to review their operations on an annual basis, justify continuing programs, and propose amounts necessary to fund only those programs meeting the District’s continuing public service objectives.</p>
Recommendation	KPMG recommends the District use a “zero-based” budgeting approach rather than a “prior cost-plus” budgeting approach when developing its annual budget projections.
Management’s Response	<p>The District surveyed municipalities around the country to identify the “best practices” for formulating annual budgets and has determined that performance-based budgeting (PBB) suits District needs better than zero based budgeting. PBB requires agencies to justify their budgets based on performance measures and benchmarks. Developing budgets in this fashion enables stakeholders to make policy decisions based on entire programs.</p> <p>The District has already begun to implement PBB in formulating its FY 2003 budget. Eight agencies will present their budgets on a program basis, in addition to the District’s usual two-step approach of developing a baseline and program enhancements, which must be justified. To implement PBB, these eight pilot agencies are defining performance measures and benchmarks for each program and revising its structure in SOAR.</p>

Process	Information Technology Management
Title	Improve Segregation of Duties and Enforcement of Least Privileges
Observation	<p><i>Least privilege</i> and <i>segregation of duties</i> are key components of access controls on information systems (IS). The control measures for each of these two areas must be implemented in a manner that minimizes operational burdens and disruptions to the work flow without compromising control objectives.</p> <p><i>Least privilege</i> refers to measures that ensure that data access reflects the minimum access privileges required for each internal system user (employee) and each external system user (customers, general public, etc.). The required access privileges for external system users are dictated by the business model the system is supporting while the access privileges for internal system users are dictated by their position descriptions and specific job responsibilities.</p> <p>There is no policy limiting the ODC-1 backup Security Administrator's access rights when he/she is not acting as the Security Administrator. Consequently, the backup Security Administrator has the same access privileges as the primary Security Administrator. These rights remain active at all times, even when not acting as the Security Administrator. The backup Security Administrator is, therefore, able to function as the primary Security Administrator at any time, even when not acting in this role, and could authorize himself/herself to perform functions not associated with his/her primary job.</p> <p><i>Segregation of duties</i> refers to measures that ensure proper segregation of specific job responsibilities in order to maintain data integrity and availability. The National Institutes of Standards and Technology Special Publication on Personnel Security indicates that critical functions should be divided among different individuals (separation of duties) to ensure that no individual has the authority or information access which could result in fraudulent activity.</p> <p>Proper segregation of duties, for instance, will not allow a computer programmer position to also have the responsibilities of a production control position, which includes independent assessment of the quality of the programmer's work prior to incorporating it in to the system's application software in the production environment.</p> <p>We observed lack of proper segregation of duties in the Security Administrator position for the ODC-1 mainframe</p>

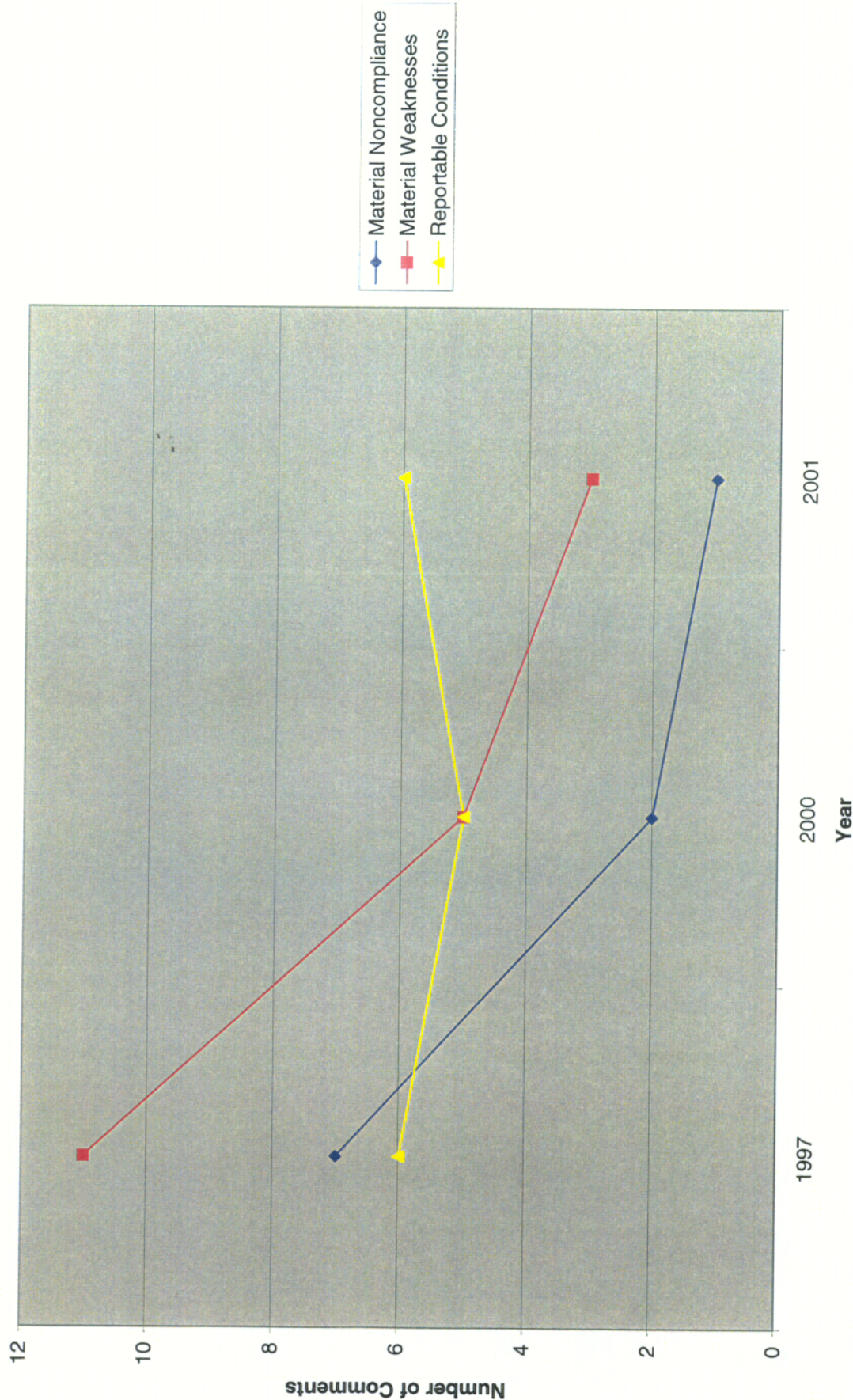
	computer. There is no policy prohibiting the Security Administrator at ODC-1 from scheduling production jobs (programs). Consequently, the mainframe Security Administrator at the ODC-1 data center also schedules production jobs. The Security Administrator could, therefore, give himself/herself the access level required to schedule the running of a production job without approval of the scheduling supervisor, allowing for potential compromise of system data.
Recommendation	<p>We recommend the Director of the Office of the Chief Technology Officer to:</p> <ul style="list-style-type: none"> ■ Develop and implement a policy that would require written authorization for the back-up Security Administrator to act in a limited role as Security Administrator, when the primary administrator is absent, and upon his/her return the policy should require that all Security Administrator privileges be discontinued; ■ Develop and implement a policy that would prohibit Security Administrators from having job scheduling privileges.
Management's Response	OCTO concurs with the Information Technology Management recommendation, specifically, to improve segregation of duties and enforcement of least privileges. OCTO will develop and implement a procedure that assigns, tracks and revokes high-level security privileges. We anticipate this policy will be in effect at ODC-1 by May 1, 2002.

Process	Business Continuity
Title	Improve District-Wide Business Continuity Practices
Observation	<p>The National Institutes of Standard and Technology requires that business continuity plans be established, documented, updated, reviewed, and tested to ensure consistency with business operations.</p> <p>Each District agency is currently responsible for developing its own individual business continuity plan. Improvements in this area are required at all levels; from District-wide to agency level and finally at the data center level. Key findings in this area are listed below.</p> <ul style="list-style-type: none"> ■ The DC Lottery disaster recovery plan is incomplete ■ Disaster recovery plans at the ODC-1, ODC-2, and the Office of Taxation and Revenue (OTR) data centers are outdated ■ Disaster Recovery Plans for the ODC-1 and ODC-2 data centers have not been tested in over two years ■ Business Impact Analysis has not been performed at the ODC-1 and ODC-2 data centers to determine the impact of interruptions to specific processes on the overall operation of each data center ■ Business continuity plans incorporating recovery of business as well as technology resources and processes are not in place ■ Tape management practices at ODC-1 and ODC-2 are outdated and inconsistent ■ Service level agreements are not established for ODC-1 and ODC-2 users (agencies)
Recommendation	<p>We recommend that District management:</p> <ul style="list-style-type: none"> ■ Complete and finalize DC Lottery's disaster recover plan to incorporate alternative processing sites and regular testing of the plan. ■ Require data centers to update their disaster recovery plans to reflect the current recovery strategy; ■ Require testing of data center disaster recovery plans on at least an annual basis; ■ Require Business Impact Analysis be performed for the ODC-1 and ODC-2 data centers; ■ Require the development and testing of District-wide, agency level, and data center business continuity plans which incorporate disaster recovery of the information technology resources; ■ Establish a process to ensure the tape management system is kept current with tape backup requirements and tested regularly;

	<ul style="list-style-type: none">■ Establish service level agreements for ODC-1 and ODC-2 users (agencies).
Management's Response	OCTO has put into place a major project to update disaster recovery plans for both data centers. These updated plans will address all of the disaster recovery issues mentioned in this recommendation. In addition, OCTO is in the process of establishing service level agreements with users of both data centers in order to effectively carry out the disaster recovery plan. These plans will be exercised on an annual basis.

Prior Year Comment	Current Year Status
Obtain SAS 70 Reports for Outsourced Transactions Processing	Resolved for all agencies other than Housing and Community Development.
Improve the CAFR Closing Process	Resolved.
Coordinated Management of Pooled and Agency-Controlled Cash	Resolved.
Improve Reconciliation of Grants Activity	Repeated in FY 2001.
Improve Coordination of Procurement Activities	Comment not repeated.
Evaluate Effectiveness of Agency Payroll Timekeepers	Repeated in FY 2001.
Identification and Assessment of Quality of Disability Compensation Data	Function moved to Office of Personnel. Comment not repeated.
Update Fixed Asset Inventory	Repeated in FY 2001.
Improve Project Planning and Project Management Policies	Repeated in FY 2001.
Improve Budgetary Record Keeping	Reportable condition in FY 2001.
Enhance Investment Management Committee Function	Comment not repeated.
Monitor Compliance with Quick Payment Act	Repeated in FY 2001.
Timely Recording of Grant Overpayment Balances	Resolved.
Maintain Records of Recertifications within ACEDS	Resolved.
Implementation of GASB 33	Resolved.
Implementation of GASB 34	Resolved. Statement to be implemented in FY 2002.

Material Weakness and Material Noncompliance Trends



Management Letter Comment Trends - Fiscal Year 1997 to 2001

